



August 25, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Floor
Boston, MA 02110

RE: D.T.E. 04-116

Dear Secretary Cottrell:

The Department of Telecommunications and Energy (Department) established service quality guidelines to be included in performance-based regulation plans for gas and electric distribution companies. The Department subsequently approved SQ plans for all gas and electric distribution companies incorporating the guidelines for a three-year term, after which the plans would be subject to review. On December 13, 2004 the Department opened an investigation on its own motion regarding service quality guidelines for electric and gas distribution companies to determine what, if any, changes are needed.

On July 27, 2005, the Department established a revised technical session schedule and sent a request for proposed questions on August 17, 2005. In the context of that request, Associated Industries of Massachusetts (A.I.M.) is providing this letter with more detailed comments/proposal on incentives and offsets, specifically on SAIDI/SAIFI, and a brief comment on including market access as a service quality standard.

Reliable electricity is essential for businesses to be successful in Massachusetts and for the economy of the state to grow. While A.I.M. believes that the service quality guidelines have resulted in improved system reliability, there is still more that can be done. The Department review of the present guidelines is the opportunity to make appropriate changes that will result in increased reliability.

Although all of the service quality measures are important, maintaining and/or increasing reliability is essential to the economic vitality of the state. Therefore A.I.M. proposes that the Department create a single category for the SAIDI/SAIFI performance measures, allow electric companies to receive cash incentives for improved reliability performance, and pay cash penalties for sub-standard performance based on the penalty/offset calculation that is already in place. This approach would emphasize the significance of electric reliability because superior performance in other service-quality areas would not be used to offset poor reliability performance. The electric companies would have more of an incentive to focus on improvement

in the distribution area where it is most needed. If the Department deems it reasonable, “banking” of the incentives and penalties could be considered for the SAIDI/SAIFI category only. In addition, A.I.M. would propose that the Department allow incentive payments only on the condition that the electric company is required to demonstrate that the incentive payment was devoted to distribution system improvements and upgrades specifically designed to improve reliability.

Finally, we have a brief comment on the inclusion of market access as a service quality measure. Although timely supplier access to customer data is essential for smooth transition to the competitive market, market access should not be considered part of the service quality guidelines for the utilities in Massachusetts. Based on the comments filed, it would be impossible for the Department to create a quantifiable guideline that would be just and reasonable on something as intangible as market access. Instead, market access issues and concerns should be handled outside of a formal Department proceeding. If problems exist, discussions should take place between suppliers, utility companies and, if appropriate, industry/customer representatives to facilitate the necessary dialogue and exchange of information to achieve the common goal of a smooth transition to the competitive market for all customers. A.I.M. recommends that the Department reject the request to include market access as a service quality measure.

A.I.M. believes that one of the significant benefits of the 1997 Massachusetts Restructuring Act has been the implementation of service quality guidelines that focus on customer service. We applaud the efforts of the Department to improve customer service through the service quality guidelines and appreciate the opportunity to participate in this full and open process to explore ways to continue bring these benefits to all consumers.

If you have any questions on these comments, or if I can be of further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Angela M. O'Connor". The signature is fluid and cursive, with the first name "Angela" being more prominent.

Angela M. O'Connor
Vice President, Energy Policy

AMO:gm